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Special Report

INSIDE CIA What's Really Going On?

Covert actions, such as mining of Nicaraguan ports, make the headlines. But developments elsewhere in America's secret spy agency are even more far-reaching.

After a four-year program to beef up the Central Intelligence Agency, the results can now be seen—a spy service with new muscle and influence to match.

Flush with money and manpower, the CIA is back at work worldwide, operating on a scale not seen since the Vietnam War.

Even its mission has been expanded. On top of espionage, intelligence analysis and covert operations, the agency has joined the wars on terrorism, international drug traffickers and Soviet theft of U.S. technological secrets.

One thing has not changed. CIA involvement in covert operations still stirs passions and controversy. Congress is threatening to bar funds to finance the "secret war" against the Sandinistas in Nicaragua.

The turnaround, pushed hard by President Reagan and CIA Director William J. Casey, has elevated the spy unit from a state of disrepute during the 1970s to a newfound position of power and influence on foreign policy.

Central to the agency's changing fortunes is Casey, whose close political and personal ties to Reagan give the CIA the kind of White House access—and credibility—it has not had for years. The despair that gripped the organization during what were called "the troubles" has lifted.

But some critics fear that the revitalized agency is becoming too influential and that Casey has too much say in the shaping of U.S. policy. Others warn that covert actions will drag America into combat.

Congress, while attempting to keep a tight rein on the CIA, actually began pushing the buildup of the organization even before Casey took over and has strongly supported it since. This backing stems in part from a need for better intelligence about a growing Soviet military capability. The CIA is also seen as providing America with a means of intervening in world crises without sending in combat units.

Headquartered in the Washington suburb of Langley, Va., the supersecret agency, with up to 18,000 staffers, has long been embroiled in controversy. While most concern has focused on covert activities, these are by no means the most important part of a broader mission.

Clandestine Wars Return

Nowhere is Casey's influence more apparent than in the revival of covert action—missions

aimed at influencing foreign regimes rather than collecting information.

The CIA's apparatus for such activities was virtually dismantled following embarrassing revelations in the 1970s that it had engaged in assassination plots, secret wars, coup attempts and other questionable enterprises.

Now, however, assert officials, a steady three-year recruitment of personnel has gone far to replace the capability lost when Casey's predecessor, Stansfield Turner, phased out some 800 positions from clandestine ranks. These slots have been restored,

some of them filled by retired officers.

The effects of this buildup, insiders report, already are being felt around the world. For example—

- In Afghanistan, Casey has expanded clandestine U.S. support for Moslem insurgents challenging Soviet occupation forces. Annual assistance—for guns, ammunition and the like—now is said to top 75 million dollars.

- In El Salvador, the CIA channeled 2 million dollars to political groups in the recent presidential election. Senator Jesse Helms (R-N.C.) claims that this was a significant factor in the victory of José Napoleón Duarte.

All told, says one official with access to inside information, the agency is engaged in about half a dozen large-scale covert operations overseas. The CIA may conduct as many as 50 minor secret projects. That number, while far smaller than in the CIA's peak years, nonetheless marks a significant increase in covert action under Reagan.

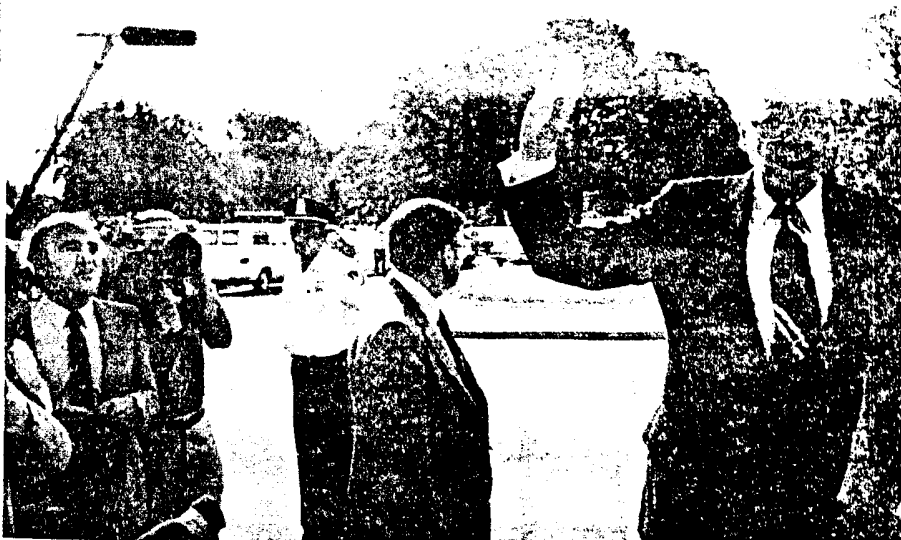
Far and away the most eye-catching operation is in Nicaragua. Under Casey, officials report, some 73 million dollars has been spent to build up anti-Sandinista *contra* forces to 12,000 rebels.

The CIA has coordinated airlifts, planned attacks and built a sophisticated communications network for the largest paramilitary action since the Vietnam War—activities that have sparked charges that the agency's covert operations have gotten out of hand once again.

But Senator David Durenberger (R-Minn.), a member of the Senate Intelligence Committee and a frequent critic of the CIA, says: "The question is: Did Reagan leap in to start up operations? And the answer is no. While the inclination to use covert operations is stronger, there's still a great deal of care."

Even within the staff at Langley, Casey's enthusiasm for

CIA Director Casey on Capitol Hill for hearings on secret operations.



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covert action is not shared by everyone. Many at the agency are concerned about such operations because they fear a public backlash may undo all of their recent progress.

"I haven't met a person in the agency who likes covert action," says one top official. "But there has to be some option... between diplomacy, which may not work, and calling out the Marines. Agency personnel called upon to conduct a covert action salute and carry it out."

Actually, the CIA itself sought last year to turn the Nicaraguan operation over to the Pentagon—an idea swiftly rejected by Secretary of Defense Caspar Weinberger. "The Pentagon just doesn't want to carry this ball," laments one intelligence official. "And the Joint Chiefs want no part of any guerrilla operation. So the job goes to the CIA. We are a substitute for policy, and we are angry."

Espionage: The Human Factor

Aside from strengthening covert-action capabilities, much money and time have been devoted to expanding the agency's intricate networks of spies and double agents.

Vast amounts of information are collected by sophisticated technology. Cameras in space pinpoint missile silos and monitor munitions production. Ferret satellites pick up radio messages and radar signals. Infrared sensors "see" through walls, and long-range microphones pick up conversations from the vibrations of a windowpane.

But such enormously expensive devices are unable to detect an adversary's intentions. Satellites may indicate a country is ready to go to war. But only an agent with access to top secrets can tell whether or not it will.

One success story in the effort to rebuild human espionage is the increase in agents behind the Iron Curtain. "We used to have nobody at all," comments one senior officer. "Now, we have more assets than we can handle. We're greatly improved, and we're getting better each year."

With intelligence fed from the tightly compartmented Soviet society by this network of agents, experts claim that American officials in Washington often have a clearer overall picture of economic and other developments in the Soviet Union than leaders in the Kremlin.

The CIA places heavy emphasis on recruiting Soviet-bloc visitors who come to the West for trade fairs and scientific meetings and to staff diplomatic missions. Case officers are trained to seek out potential spies, find what might moti-

vate them to turn traitor and then to provide the lure, most often money.

The overall effort—not only in Soviet-bloc countries but in other parts of the world as well—has paid off in a number of intelligence coups.

The CIA was able to pull together enough information to predict accurately that the Soviet Union would not invade Poland in 1981, but instead would crack down through Polish authorities. In 1982, during the Falklands War between Britain and Argentina, the agency learned of a third country's impending sale of fighters to Buenos Aires in time for Washington to block it. "As the leaders were thinking what they might do, we knew what they were thinking," says an administration official. "You almost have to get into somebody's bathroom to know this stuff."

Long before the U.S. invasion of Grenada last October, the intelligence agency knew not only about the Cuban buildup on the island and the presence of Libyans and Eastern Europeans but also about the population's disenchantment with the Marxist leadership. It predicted, accurately, that Grenadians would not oppose the U.S. invaders.

However, there are still troubling lapses in the agency's human intelligence-gathering effort. It could predict an attack by pro-Iranian factions against an American target in Beirut, for instance, but could not find out where, how or when the attack would occur. Three days after the prediction of an attack was made, the Marine barracks was bombed with a loss of 241 lives.

Intelligence Analysis: Affecting Decisions

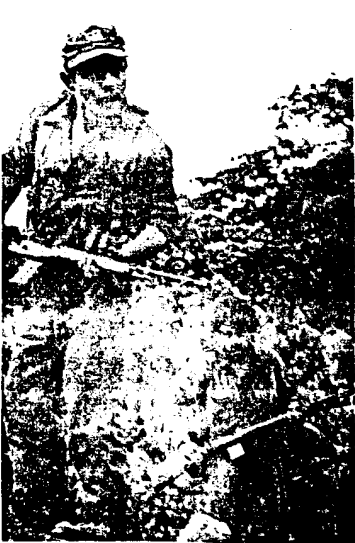
The most clear-cut result of CIA revitalization, in the view of many, is the striking improvement in intelligence analysis—the slow process of weighing and organizing bits and pieces of the intelligence puzzle into a coherent whole that can be used by policymakers to reach decisions.

Most apparent is improvement in the CIA's all-important National Intelligence Estimates, which predict world events. After producing only 12 NIE's in 1980, the CIA distributed 50 estimates last year, all the while working on an additional 800 projects ranging from assessments of Soviet weaponry to population trends in the Third World.

In the past, the CIA has needed as long as nine months to complete an estimate. Today, it is not uncommon for the agency to produce one in three weeks, or even quicker. Officials say the quality is also better. "Now, you can read an NIE and actually learn something," says one. "In the past, the

Two Key Covert Operations

CIA supports anti-Sandinista *contras*, left, in Nicaragua and Moslem rebels, right, battling Soviet Army in Afghanistan.



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CIA would do NIE's on 'Africa in the Year 2000,' that sort of thing. They would put you to sleep."

Today, the CIA tends to focus on issues of prime importance to senior policymakers. A full 10 months before the death of Soviet President Leonid Brezhnev, for example, the team at Langley was correctly predicting that Yuri Andropov, rather than a collective leadership, would take over once the ailing Brezhnev left the scene. The CIA was virtually alone in its prediction.

Under Casey, says one policymaker, there is also a "new willingness to question the conventional wisdom." On the issue of Soviet anti-ballistic-missile systems, for example, the intelligence chief ordered a fresh review that arrived at a far more alarming picture of the Soviet program than was produced in past assessments.

Much of the transformation is the result of money. The analytical budget has grown 50 percent. Result: The number of analysts has risen to the same level as in the early 1960s.

Insiders say that analysis also has been noticeably upgraded by changing the way it is presented. Dissenting opinions, once relegated to footnote status, are part of the estimates so that policymakers become aware of contested issues. "Casey has prevented the minority viewpoint from becoming lost in the shuffle," says one official. "That's important because too many times the minority views turn out to be the right ones."

"Maximum Impact." Moreover, under direction of its fast-rising, 40-year-old chief, Robert Gates, the Directorate of Intelligence has been revamped to sharpen operations. A file is kept on each analyst—the better to assess his track record. Analysts are required to return to school every two years. And the agency has been opened up to expertise from the business and academic worlds.

"We have had people who could tell you all about formulation of foreign policy in Rwanda but didn't have the faintest idea how it is done in the U.S.," says Gates. "I want our folks to know when assessments can have maximum impact and who should get them. I want them to know that when the President or someone else has to make a decision, if our information—no matter how good—comes 15 minutes too late to be considered, we've failed."

What do the CIA's "customers" think of its work?

The overall assessment is that the CIA tends to be very good on certain issues—for example, global economics, Third World debt, Soviet military and economic developments and European politics. The CIA looks further ahead than other agencies, trying to give early warning of future problems.

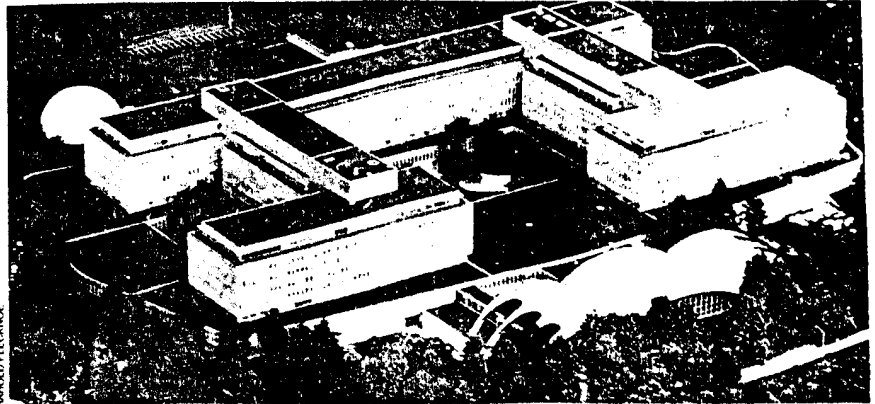
Senator William Cohen (R-Me.), a member of the Intelligence and Armed Services panels, reports that the CIA accurately predicted the course of the Iran-Iraq War, Soviet responses to deployment of new NATO missiles and problems that would confront U.S. Marines in Lebanon.

But CIA customers add that the organization's work is more spotty when it comes to political matters. The CIA, for instance, was uncertain about the signs preceding the Kremlin's decision to boycott the 1984 Summer Olympic Games in Los Angeles. And in trying to predict Andropov's successor, says one CIA official, "our people were all over the lot."

The Future: Multiplying Missions

Casey is moving swiftly to join other federal agencies in three new areas of concern—international terrorism, drug trafficking and Soviet theft of U.S. technology.

In Reagan's new drive to thwart terrorism aimed at the U.S., the CIA is cast in a starring role. In fact, the agency has resisted efforts to give it a far stronger mandate. Some



Sprawling CIA headquarters outside Washington in Langley, Va.

Pentagon and White House officials, backed by a few lawmakers, insisted that the CIA take up the task of assassinating terrorists before they could strike. But agency officials say they won an intense internal fight over the issue, arguing that even an indirect role in assassination is illegal. Says one official: "The CIA will not have hit squads that go out and pre-empt terrorist strikes. We ain't building a hit team."

Basically, the CIA is upgrading intelligence on terrorists. Casey has built special think tanks on the problem, creating a vast data base to help track terrorist groups and even predict their moves. His staff also is working with friendly countries to forge a new antiterrorist network to pool information.

Moreover, the agency has set up special units, available on a moment's notice to deploy worldwide in support of local authorities after an incident occurs. "They're literally ready to go when somebody blows the whistle," an expert says. "They do it and do it very well."

The problem: Coping with terrorists before something happens. One official maintains that the agency has had only marginal success in penetrating terrorist groups. "On a scale of 1 to 10, I'd put them above 5, maybe 6. They're going to have to do a lot more than what they've done if they are to do what the President wants them to do."

Technological espionage. The CIA is playing a key role in dealing with another danger. With the Soviet Union intensifying its wide-ranging effort to siphon off American know-how for its military machine, a major drive has been mounted to restrict the outflow of U.S. technology.

In the late 1970s, Moscow got 30,000 samples of Western equipment, weapons and components and 400,000 documents both classified and unclassified. In 1981, the CIA set up a Technology Transfer Assessment Center that analyzes what the Kremlin seeks and how it might attempt to get it. Intelligence officials say that the increase in the number of Soviet diplomats who were expelled from Western countries or who defected—135 last year alone—is partially the result of better U.S. information about technological espionage.

Even so, William Rudman, who heads the U.S. Customs Service's effort to block the flow, complains: "We have problems extracting information from the intelligence community." The result is that his inspectors often are not alerted to items sought by the Soviets.

Casey also is enlisting the CIA in battling what has become an 80-billion-dollar-a-year narcotics industry. His team is targeting methods by which suppliers launder money. Because traffickers use overseas havens to hide and transfer cash, the agency is attempting to penetrate banks in Panama, the Cayman Islands, the Bahamas and Hong Kong.

Drug officials say that the CIA sometimes is helpful in corroborating information and in estimating the size of narcotics crops by using satellites. Even so, the extent of help appears inevitably limited. "Intelligence and law enforce-

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The Competition: It Plays by Tough Rules

When it comes to big-league espionage, there are really only two teams on the playing field—the Central Intelligence Agency and the Komitet Gosudarstvennoy Bezopasnosti.

The Soviet Committee for State Security—the KGB—manages the kind of operations that the CIA handles for the United States. But it does much more.

The KGB performs the domestic-law-enforcement and counterespionage functions assigned to the Federal Bureau of Investigation. It is responsible for code-breaking operations, conducted in America by the National Security Agency, and operates a coast guard and an elite border patrol that has no U.S. equivalent.

With 90,000 staff officers, 150,000 clerks and technicians and the 250,000-man uniformed border force, the overall strength of the KGB approaches half a million, several times the size of all U.S. intelligence agencies.

Headquartered in a complex of three buildings, which includes the infamous Lubyanka Prison, on Dzerzhinsky Square in Moscow, the KGB was headed from 1967 to 1982 by Yuri Andropov, who became Soviet President. He recruited higher-quality personnel and forced the KGB back into the framework of law after the Stalin era's excesses. Its head now is a protégé of the late Andropov, Col. Gen. Viktor Chebrikov.

The KGB has more case officers and more money than its U.S. counterpart—and it doesn't have a Congress or a free press constantly scrutinizing it.

The KGB has long had a reputation for playing hardball. An official Italian report implies that the Soviets, working through Bulgaria, masterminded the shooting of the Pope in 1981.

"Worst shellacking." Still, the KGB itself has been buffeted by hard knocks. CIA chief William Casey says: "In 1983, the KGB has taken the worst shellacking in its history as 135 Soviet intelligence agents defected or were expelled from over 20 countries on all continents." France expelled 45, accusing them of engaging in a search "for technological and scientific information, particularly in the military area."

In the late 1970s, the Kremlin is estimated to have spent 100 million dollars to prevent Western deployment of the neutron bomb. The weapon ultimately was sidetracked by President Carter. An even more ambitious campaign—to prevent deployment of American Pershing 2 and cruise missiles in Europe—failed.

In the rivalry between the two intelligence agencies, the highest achievement of all is to plant a "mole" in the upper reaches of the rival service. Elaborate precautions are taken, but the fact that Kim Philby, an officer in the KGB, rose to the top ranks of British intelligence is a chilling reminder that it can be done.

KGB chief Chebrikov and his headquarters, which houses Lubyanka Prison.



SYGMA

ment can be good friends, but we can't be married," says a senior official of the Drug Enforcement Agency. "Our goal is to put people in jail. We have to figure how to use this information so as not to jeopardize [classified] activities."

Casey: A Controversial Spy Master

More than any other director in CIA history, it will be Casey himself who will be held responsible for successes and failures of the service. Virtually everyone agrees that Casey, an intelligence operative during World War II and a millionaire business executive, brings formidable skills to the job. His greatest contributions, as many see it, may be his sense of how an espionage agency should be run and his ability to build a capable staff of experts to help him do it.

After a rocky start, the 71-year-old Casey has surrounded himself with some of the most respected professionals in the intelligence business. His deputy is John McMahon, an agency veteran who has headed both clandestine and analysis

operations. An exception was Max Hugel, a businessman and political-campaign aide he picked as his first espionage chief. Hugel was forced to step aside because of questions about his financial dealings. No charges were brought against Hugel. He was replaced by John Stein, a seasoned professional.

Highly respected within the agency, in large measure because of his own intelligence background, Casey has gone to great lengths to establish rapport with CIA people at every level. Unlike some earlier chiefs, he regularly drops in on case officers, questioning them closely about their activities abroad. At times, colleagues say, the director becomes so excited about an assessment that he will rush to the White House with a raw draft in hand.

His close ties to the President—he served as Reagan's campaign

manager in 1980—shape up as an even more important plus. By trading on these, Casey has won budget increases of about 25 percent a year. CIA spending, secret under rules of Congress, exceeds 1.8 billion dollars a year.

Yet, despite the lawmakers' generosity, Casey has few friends on Capitol Hill. He is said to deeply distrust Congress, a feeling that is reciprocated. The hostility deepened when lawmakers alleged that he withheld detailed information earlier this year about CIA mining of Nicaraguan ports.

"Bill is just a salesman. He will tell you what he wants in order to sell a car," complains Senator Durenberger. "If you don't ask whether there is an engine or a steering wheel, he won't bring it up."

Casey's relations with Congress have been worsened by allegations that he failed to comply with financial-disclosure regulations and that he had a hand in acquiring papers from Jimmy Carter's re-election drive. He denies any wrongdoing in either case.

Whatever his faults, Casey is likely to be remembered as the man who put the CIA back on its feet when that seemed like an impossible mission. Equally certain is that controversy will continue to nip at the agency's heels as long as he remains at the helm. □

By ROBERT S. DUDNEY and ORR KELLY